HB 2457 – Written Proponent Testimony
House Committee on Taxation
Lowering income tax rates, exempting social security, increasing residential property exemption, accelerating food sales tax exemption
Michael Austin – Legislative Director
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Chair Smith and Members of the Committee,

On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony in support of HB 2457. HB 2457 implements a flat tax on individual income, lowers corporate and privilege tax rates, increases the income threshold on the social security income tax subtraction, increases the residential property tax exemption and accelerates the buy down of the food sales tax exemption. We hold the following positions on HB 2457.

1. HB 2457 provides more relief to vulnerable Kansans than the current tax structure.
2. HB 2457 prevents Kansas taxpayers from inflation and bracket creep.
3. HB 2457 puts Kansas in line with fellow states and economic growth.
4. HB 2457 needs an automatic growth trigger to give surplus tax revenues back to Kansas families and businesses.

HB 2457 provides more relief to vulnerable Kansans than the current tax structure.

HB 2457 exempts the first $11,374 and $23,750 from state income tax for single and married filers respectively. HB 2457 also lowers the marginal tax rate for incomes higher than $15,000 (single) and $30,000 (married) from 5.25% and 5.7% to 4.95%. HB 2457 gives the biggest tax relief to the lowest income generating Kansans.

Single Tax Rate Gives Largest Tax Relief to the Most Vulnerable Kansans

Income (KAGI)	Current Tax Liability	HB 2457 Tax Liability	Tax Savings Dollars	Tax Savings Percent
$ 3,000	$ -	$ -	Not Applicable	
$ 5,225	$ -	$ -		
$ 11,374	$ 174.34	$ -	$ (174.34)	-100%
$ 15,000	$ 286.75	$ 172.24	$ (114.52)	-40%
$ 30,000	$ 950.63	$ 884.74	$ (65.89)	-7%
$ 60,000	$ 2,634.75	$ 2,309.74	$ (325.02)	-12%
$ 100,000	$ 4,914.75	$ 4,209.74	$ (705.02)	-14%

Source: Kansas Department of Revenue & Author's Calculations

HB 2457 prevents Kansas taxpayers from inflation and bracket creep.

HB 2457 Prevents Inflation-Driven Tax Hikes				
Married Family w/ Two Children Making $60,000 in 2019				
	Nominal Income	Real Income *(Inflation-Adjusted)*	Tax Liability	Tax Burden *Taxes as a % of Nominal Income*
2019 Income *(Current Tax Rates)*	$60,000	$60,000	$1,613	2.7%
13.8% Pay Raise *(Current Tax Rates)*	$68,280	$60,000	$2,047	3.0%
13.8% Pay Raise *(HB 2457)*	$68,280	$60,000	$1,901	2.8%
Source: Kansas Department of Revenue, Bureau of Labor Statistics & Author's Calculations				

Say there is a Kansas family of four making $60,000 in 2019. Under this income, this family would owe 1,613 in state income taxes, or a tax burden of 2.7%. Let's say to combat record 2022 inflation, this family got a pay raise to $68,280 to offset the price hikes. However, under current tax rates the pay raise would put this family into the highest state tax bracket of 5.7% from 5.25%. Now, this family is paying $2,047 in state income taxes, a tax burden of 3.0%. Despite paying more in state taxes, they are not wealthier, they cannot buy more goods and services. Under Kansas's graduated income tax rates, this family has an increased tax burden with nothing to show for it. HB 2457 prevents this by moving to one single tax rate. Under the taxable income and single tax rate provisions, this family has a tax burden of 2.8%, saving roughly $145 a year.

HB 2457 puts Kansas in line with fellow states and economic growth.

In more than a century of state income tax rates, only four states ever reformed their complex tax structure to a single rate. Since 2022, four states have passed more single rate tax structures: Georgia, Iowa, Mississippi, and Arizona. HB 2457 gives Kansas an opportunity to follow fellow states in crafting simple tax codes.

Moreover, Kansans' economic health is stagnant. Kansans still are not finding jobs to the level of pre-Laura Kelly's COVID shutdown order.[1] Kansans' income is growing at the 39th fastest clip in the country.[2] HB 2457 grows the rewards to work and instantly boosts personal income, making Kansans' wellbeing on par with the rest of the country.

HB 2457 needs an automatic growth trigger to give surplus tax revenues back to Kansas families and businesses.

HB 2457 should have a tax provision that automatically lowers tax rates if the state budget meets a revenue target above baseline. As an example, calculating a 2% growth trigger would be "Revenue in Base Year" * 1.02^(# of years). This calculation allows for sustained rate reductions regardless of

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[1] U.S. Bureau of Labor Statistics, *State and Metro Area Employment, Hours & Earnings*, https://www.bls.gov/sae/data/

[2] U.S. Bureau of Economic Analysis, *Gross Domestic Product by State and Personal Income by State, 3rd Quarter 2022*, https://www.bea.gov/news/2022/gross-domestic-product-state-and-personal-income-state-3rd-quarter-2022

the circumstances of revenue growth (Ex. Recovery from a recession).[3] Moreover, a trigger this way is a significant departure from the revenue trigger established in the 2013 tax reform.[4]

For these reasons, I urge the committee to consider HB 2457 for passage.

[3] Tax Foundation, *Designing Tax Triggers*: *Lessons from States*, https://taxfoundation.org/designing-tax-triggers-lessons-states/
[4] Kansas Statutes Annotated § 79-32,269, https://law.justia.com/codes/kansas/2014/chapter-79/article-32/section-79-32-269